

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA increased 58 cents to \$1.9500, Grade A increased 53 cents to \$1.8200, and Grade B increased 53 cents to \$1.8200. These changes are the largest, single-day butter price increases in memory. Also at the CME, barrel cheese decreased 1/4 of a cent to \$1.3600 and 40# blocks are unchanged at \$1.3975.

According to ERS, in the Dairy Situation and Outlook, annual milk production for 1997 and 1998 is forecasted at 156.8 and 157.1 billion pounds, respectively. Commercial use for 1998 is projected at 158.1 billion pounds, up 0.9% from 1997. Basic formula prices are projected slightly higher for 1998.

During September, about 6.9 billion pounds of milk were marketed under Federal orders. (Since significant volumes of milk that normally would have been pooled under Federal milk orders were not pooled in September 1997 and 1996, the following comparisons involving producer deliveries have been estimated.) For comparable markets, producer deliveries were about 0.4% less than September 1996, and about 0.5% less than August 1997 on a daily average basis. Milk utilized in Class I products in September was 1.5% more than last year on an adjusted basis. Class I use this year represented 56% of producer milk deliveries compared to 47% in September 1996. The average blend price was \$12.93, \$3.25 less than last year. Changes in class prices from year-earlier levels were: Class I, down \$3.63; Class II, down \$3.63; Class III, down \$2.58; and Class III-A, down \$3.96.

The September 1997 Consumer Price Index (CPI) for all food is 157.9, up 2.1% from September 1996. The dairy products index at 143.5, is down 2.2% from a year ago. The September to September changes in selected dairy products are: fresh whole milk -3.3%, cheese -1.4%, and other dairy products (includes butter) -5.2%.

According to NASS, U.S. cold storage holdings of butter on September 30, 1997 total 30.7 million pounds, 37.0% lower than last month but 43.2% higher

than September 1996. Natural American cheese holdings total 422.9 million pounds, 8.0% less than August 1997 but 13.5% more than a year ago. Nonfat dry milk holdings at the end of August total 160 million pounds, 2.4% less than the previous month but more than double August 1996.

Milk production patterns are mixed throughout the country. In the Midwest and Northeast, production and Class I sales are steady. Milk output in the Southeast is higher as cows are beginning to respond to cooler temperatures. Receipts have started to increase and supplemental milk shipments have declined. Production in California, New Mexico, and Arizona is trending higher. In the Pacific Northwest, milk receipts and solids content have declined. Plant operating schedules in the northern Mountain States are seasonally lighter. The cream market is firm and prices are higher following increased butter prices.

The dry product markets are mostly unchanged with the exception of whey. The whey market tone is unsettled. Producer offerings are very limited. Nonfat dry milk markets are steady to weak. Offerings to the CCC under the price support program have ceased and DEIP orders are being filled. Buttermilk powder prices are lower as the market tone weakens.

During the period of October 20 - 24, CCC did not purchase any dairy products under the price support program, but they did receive cancellations for 595,233 pounds of previously offered Western NDM.

****SPECIAL THIS ISSUE****

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BUTTER MARKETSCHICAGO WHOLESALE

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE	:	OCTOBER 21	:	OCTOBER 23	:	OCTOBER 24
AA	:	\$1.3700 - 1.3800	:	\$1.3700 - 1.3800	:	\$1.3700 - 1.3800
	:	(.0800) (.0800)	:	:	:	:
A	:	\$1.2900 - 1.3000	:	\$1.2900 - 1.3000	:	\$1.2900 - 1.3000
	:	(.0800) (.0800)	:	:	:	:

() Change from previous price.

BUTTER HIGHLIGHTS: At the Chicago Mercantile Exchange, in relatively light trading, Grade AA increased 58 cents to \$1.9500, Grade A increased 53 cents to \$1.8200, and Grade B increased 53 cents to \$1.8200. The butter market is firm, but unsettled. There is concern, from some contacts, that prices will get too high and hurt retail sales. Fresh butter supplies remain tight. Few new DEIP bids were accepted this week. There are reports that export interest is waning as prices climb.

CHICAGO MERCANTILE EXCHANGEBUTTER TRANSACTIONS ON FRIDAY, OCTOBER 24, 1997

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE	:	PRICE CHANGE	:	LAST SIGNIFICANT TRANSACTION - LST
AA	:	+.5800	:	\$1.9500 : BID 10/24/97
	:	:	:	:
A	:	+.5300	:	\$1.8200 : BID 10/24/97
	:	:	:	:
B	:	+.5300	:	\$1.8200 : BID 10/24/97

SALES: 10 CARS GRADE AA: 1 @ \$1.4700, 2 @ \$1.6500, 1 @ \$1.6600, 2 @ \$1.8000, 4 @ \$1.8900

BIDS UNFILLED: 8 CARS GRADE AA: 1 @ \$1.4900, 2 @ \$1.9000, 4 @ \$1.9050, 1 @ \$1.9500 (LST)
2 CARS GRADE A: 1 @ \$1.7400, 1 @ \$1.8200 (LST)
2 CARS GRADE B: 1 @ \$1.7400, 1 @ \$1.8200 (LST)

OFFERS UNCOVERED: 1 CAR GRADE AA @ \$2.0000

CHEESE MARKETSWISCONSIN ASSEMBLY POINTS

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

CHEDDAR STYLES	:	OCTOBER 20 - 24, 1997
BARRELS*	:	\$1.3700 - 1.3825 (NOMINAL)
	:	(.0075) (.0075)
40# BLOCKS	:	\$1.4250 - 1.4325 (NOMINAL)
	:	(.0050) (.0050)

() Change from previous week. * If steel, barrel returned.

CHEESE HIGHLIGHTS: The cheese market is steady on blocks, unsettled on barrels. The block price at the Chicago Mercantile Exchange was unchanged at \$1.3975, but barrels decreased .25 cent to \$1.3600, all in moderate trading. Current cheese demand is irregularly higher and lower as users react to recent price changes. Most buyers are trying to keep inventories at reasonable working levels. Cheese production is steady to lower as milk receipts decline seasonally in most major cheese producing areas.

CHEESE TRANSACTIONS ON THURSDAY, OCTOBER 23, 1997

(CARLOAD UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES	:	PRICE CHANGE	:	LAST SIGNIFICANT TRANSACTION
BARRELS	:	-.0025	:	\$1.3600 : SALE 10/23/97
	:	:	:	:
40# BLOCKS	:	N.C.	:	\$1.3975 : SALE 10/23/97

SALES: 15 CARS BARRELS:
14 @ \$1.3625, 1 @ \$1.3600 (LST)
10 CARS 40# BLOCKS @ \$1.3975 (LST)

BIDS UNFILLED: NONE

OFFERS UNCOVERED: 15 CARS BARRELS:
1 @ \$1.3725, 6 @ \$1.3700, 2 @ \$1.3675,
2 @ \$1.3650, 3 @ \$1.3625, 1 @ \$1.3600
4 CARS 40# BLOCKS @ \$1.4000

AMENDED/ADDITIONAL TRADING FROM OCTOBER 16-- SEE PAGE 2

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE 1/

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Other Dairy Products		Meat, Poultry, Fish and Eggs	
	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>	CPI <u>2/</u>	Pct. Chg. <u>3/</u>
JULY 1997	157.0	2.5	143.3	0.9	139.7	-1.3	146.9	2.4	134.5	-0.7	148.2	3.0
AUG 1997	157.6	2.5	143.4	-0.8	139.2	-2.5	146.8	0.1	136.5	-2.4	149.1	2.4
SEPT 1997	157.9	2.1	143.5	-2.2	139.0	-3.3	147.3	-1.4	136.0	-5.2	149.1	1.3
U.S. City Average Retail Prices												
Month	Whole Milk <u>4/</u>		Lowfat Milk <u>4/</u>		Butter <u>5/</u>		Process Cheese <u>6/</u>		Natural Cheese <u>7/</u>		Ice Cream <u>8/</u>	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	Dollars											
JULY	2.557	2.649	2.362	2.435	2.108	2.269	3.342	3.228	3.422	2.919	2.844	2.851
AUG	2.551	2.666	2.329	2.460	2.154	2.396	3.352	3.363	NA	2.932	2.927	2.966
SEPT	2.533	2.666	2.307	2.474	2.144	2.482	3.359	3.511	NA	3.062	2.895	3.041

* NA Not available. 1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these indexes is 1982-1984 = 100. 3/ Percent change over previous year. 4/ Per gallon. 5/ Per pound. Grade AA, salted, stick butter. 6/ Per pound, any size and type of package. 7/ Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). 8/ Per 1/2 gallon, prepackaged regular.

PRINT BUTTER MARKETS - GRADE AA**NORTHEAST**

Prices are higher and the market tone remains unsettled. Fresh butter supplies remain tight domestically and in world markets. Storage butter is available and being processed to help meet domestic print needs. Most offerings are only able to satisfy immediate needs. Exports and DEIP bids continue to be filled due to strong foreign demand. Some contacts believe that traders are forcing domestic prices higher in order to discourage export interest. These price increases may cause consumers to switch to using other products for holiday cooking needs. Churning activity is moderate with less milk and cream availability.

WHOLESALE PRICES: MIN 25 BOXES
DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.5800-1.8275
1 LB. PRINTS	:	1.4950-1.6775
CHIPS/PATTIES	:	1.5575-1.7375
REDDIES	:	1.6325-1.8275
CONTINENTALS	:	1.7125-1.8875

CENTRAL

Print butter prices are sharply higher following October 17 cash trading at the Chicago Mercantile Exchange. The market tone remains firm. Producers and handlers are concerned about retail buying patterns during the upcoming year end holidays in light of recent price increases. Orders continue to be placed very cautiously. Although at this time, orders are reported to be fairly good, as food service and retail stores prepare for the holiday period. Stocks of bulk and print butter range from in close balance to short of desired needs.

FOB CENTRAL STATES PLANTS: MIN 20,000 POUNDS, \$ PER POUND

1/4 LB. PRINTS	:	1.4700-1.8775
1 LB. PRINTS	:	1.4350-1.5975
CHIPS/PATTIES	:	1.4600-1.6700
REDDIES	:	1.5450-1.7800
CONTINENTALS	:	1.7000-1.8900

WEST

Western print butter prices moved sharply higher following butter trading at the CME on October 17. Butter stocks remain very tight. Many plants are not able to fully meet all current regular account demand. Buying interest is excellent and often going unfilled. Cream supplies for all uses are tight. Fat content on the seasonally declining milk supplies are decreasing. Prices are now high enough that a number of manufacturers that had been filling DEIP orders are now being told to wait until the market settles down before they complete orders. A few producers have finished commitments and do have more butter for the domestic market. Butter stocks at the end of September are 30.7 million pounds, down 37% from a month earlier.

WHOLESALE SELLING PRICES: DELIVERED WESTERN CITIES
150 - 1000 POUNDS, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.6525-1.7000
1 LB. PRINTS	:	1.5825-1.6425
PATTIES	:	1.6250-1.7900
REDDIES	:	1.7500-1.7675

FOB CALIFORNIA PLANTS - GRADE AA
100 CASES AND UP, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.3675-1.4075
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
10/20/97	13,569	106,599
10/01/97	20,062	108,721
CHANGE	-6,493	-2,122
% CHANGE	-32	-2

AMENDED CHEESE TRADING AT THE CME ON OCTOBER 16, 1997

Please change bids unfilled from none to:

BIDS UNFILLED: 12 CARS BARRELS:
2 CARS @ \$1.3600, 5 @ \$1.3550, 5 @ \$1.3500

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS		640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.	MN/WI	OTH STATES	U.S.
OCTOBER 17	1,4198	1,3669	1,3828	1,3916	1,3572	1,3322	1,3412
	1,440,675	3,866,859	5,484,873	851,545	3,047,368	5,310,989	8,358,357

Further data may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Prices are 3/4 of a cent higher on process and up 1/2 cent on natural varieties. The market tone is about steady. Demand is fair to good as interest is improving for holiday needs. Production levels are lighter due to the lower seasonal milk production patterns. Stocks are adequate for needs. Retail sales and fast food orders are increasing as a result of current promotions.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4150-1.8800
Cheddar Single Daisies	:	1.3850-1.8850
Cheddar 40# Block	:	1.5350-1.6850
Process 5# Loaf	:	1.5725-1.7225
Process 5# Sliced	:	1.5925-1.7575
Muenster	:	1.5775-1.9725
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is fully steady on natural, unsettled on barrels. At the Chicago Mercantile Exchange on October 16, the price of blocks advanced .5 cent to \$1.3975 and barrels increased .75 cent to \$1.3625 per pound. This reduced the block/barrel spread to an even narrower 3.5 cents. Process sales are steady at best. Most traders feel that if prices do not increase appreciably higher, the expected decline may not be as severe as in recent years. Current orders are mixed, some firms report improved sales after the market increases, while others report slower interest. Offerings of natural varieties are generally about in balance with limited tightness noted on certain specialty items. Cheese and milk production are irregularly about steady to slightly lower through most upper (major producing) areas of the Midwest. Some plant operators, mainly for specialty products, continue to scour the area for additional manufacturing milk supplies, to varying degrees of success. In the southern most states, milk receipts are starting to rebound from heat stressed levels of even a few weeks ago. This is allowing slight increases in milk supplies available for manufacturing.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4975-1.6525
Brick And/Or Muenster 5#	:	1.6600-1.8550
Cheddar 40# Block	:	1.6475-1.9150
Monterey Jack 10#	:	1.8475-1.9150
Blue 5#	:	2.0000-2.2000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7100-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2000-2.4850

WEST

Prices increased fractionally on the CME on October 16. Most Western contacts were not too surprised at that result. Sales activity for blocks is rated as good to very good. Buyers are looking for additional supplies. Barrels and undergrade cheese are also clearing well. Process cheese sales are improving seasonally. Swiss stocks are down more than one million pounds from last year and the market is firming. Mozzarella demand is good. Contacts feel that this market may hold longer than they had thought it would a few weeks ago. The fundamental supply/demand/stock situation is improving from a seller point of view.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4975-1.8050
Cheddar 40# Block	:	1.5800-1.7300
Cheddar 10# Cuts	:	1.7500-1.9200
Monterey Jack 10#	:	1.7150-1.8825
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

FOREIGNTYPE

Prices are unchanged on imported and 1/2 cent higher on domestic styles. Demand has increased for domestic varieties in response to rising imported prices, especially for Edam and Gouda. The market tone in the EU is expected to firm up in the upcoming months as recent demand has been strong and stocks are not likely to have been built up. EU-15 cheese production for the month of June 1997 totaled 496.0 MT, 1.4% higher than compared to June 1996. Production in the EU-15 for the period of January-June 1997 totaled 2,942 MT, up 1.0% from the same period in 1996.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.7325-2.3425*
Gorgonzola	: 3.2400-5.9400	: 2.3975-2.4950*
Parmesan (Italy)	: TFEWR	: 3.1425-3.1800*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4050-1.9125*
Romano (Cows Milk)	: -0-	: 2.9300-3.1825*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

During September, milk production in the 20 major states totaled 10.8 billion pounds, up 2.9% from last September. The following are the September-to-September changes for selected states: Florida +2.5%, Virginia +3.5%, Vermont +3.9%, New York +1.4%, Pennsylvania +3.0%, Kentucky is unchanged, and Texas -5.6%. Milk production is mostly steady in the Northeast and steady to higher in parts of the Southeast. In Florida, milk output has jumped significantly in response to cooler temperatures. Contacts indicate milk supplies are heavy and plants are backed up. Imports for the week dropped dramatically to an approximate total of 70 loads. This compares to last week's total of 147. This is the first time in the past three months that imports have totaled under 100 loads. Contacts report this to be the start of a turnaround in Florida's production cycle. In the Mid Atlantic area, milk shipments continue to Florida. This shipment activity is tying up much of the milk supply and, as a result, manufacturing schedules are lighter. In the Northeast, milk output and sales are steady. It has been reported that there is concern about this winter's hay supply. Premium quality alfalfa is tight due to a mixture of high humidity and frequent rains during the first cutting followed by dry and cooler weather reducing second cutting yields. Dairy producers are preparing for heavy winter demand and predict hay prices to rise significantly for the period. The condensed skim market is steady to weaker. Demand has slowed as many users have switched to using nonfat dry milk. Sales are mostly for contracted accounts with occasional spot sales. Cream prices are sharply higher due to the 8 cent increase in the CME butter market. Supplies are mostly balanced for the erratic demand. Some contacts report a majority of the cream supply is entering butter production. Ice cream production is lighter. Cream cheese output continues to be strong. Egnog production is beginning in a few plants as some buyers are starting to stock inventories for the upcoming holiday season.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	1.8060 - 2.0253
Delivered Equivalent Atlanta	-	1.8318 - 2.0253 M 1.8595-1.9143
F.O.B. Producing Plants: Upper Midwest	-	1.8705 - 2.0124

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	1.0050 - 1.0550
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
OCTOBER 17 - 23, 1997	33
PREVIOUS WEEK	32 (REVISED)
COMPARABLE WEEK IN 1996	25

DESTINATIONS: FLORIDA 12, KENTUCKY 3, TENNESSEE 18

Colder, more seasonal weather has returned to the region, bringing with it an increase in stored feed use, and often keeping the cows under shelter (in the barn) for longer portions of the day. Snow has fallen, mainly in snow belt areas, though most melted quickly. Farmers continue to make good progress on fall harvest and tillage. Corn moisture levels have been dropping in most fields yet standing. Most soybeans are in the bin. Class I sales are steady to occasionally slower. Recent promotional activity, often on chocolate milk, has been aiding sales in some locales during recent weeks. Besides the milk shipments reported, another 25 loads of Wisconsin milk are "direct shipped" and pooled under a Southern Federal Order. Another 14 loads of Wisconsin milk are sent to Ohio. The revised total for last week increased the total for Tennessee. Overall, milk

shipments to the Southeast from upper Midwestern states continue to trend lower seasonally. The current "high" cream prices continue to cause ice cream producers to increase the share of lower fat products produced when possible. Cream prices are higher, reflecting higher butter prices at the Chicago Mercantile Exchange last week and, in instances, higher multiples. Manufacturing milk supplies remain tight with reported prices, on a limited test in the \$2.50 - 3.00 area over class. Some interest is continuing to go unsatisfied due to the lack of available supplies. Milk receipts in upper Midwestern states are bouncing around near annual low levels with the usual slight increases and declines from recent weeks. Fat and protein tests in milk pickups have rebounded slightly. Milk receipts in Southern states in the region have turned the corner and started to increase. Manufacturing milk supplies in these Southern states are still light, but starting to increase as milk shipments to supplement other areas of the country decline.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 16 - 22	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 38.00	\$ 29.00- 35.00
REPLACEMENT HEIFER CALVES	\$100.00-145.00	\$110.00-165.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCT 16 - 22	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.50- 41.75	\$ 29.00- 36.75

W E S T

Milk output is responding to cooler temperatures in New Mexico. Milk production remains higher than year ago levels with both continued growth in milk cow numbers and increased production per cow. Feed quality is indicated to be fair to good despite earlier alfalfa crops having been rained on. Demand is good for top quality forage, more moderate for lesser quality. Frost has hit several production areas and impacted harvesting. In Arizona, milk production is trending higher. The impact of recent heat is still limiting current production growth, but cows are beginning to respond to better weather. Producers are still concerned over milk prices, but recent increases are improving their moods. Feed availability and quality are good. California production is increasing in areas recently affected by heat and remains ahead of a year ago figures. Feed is available and prices are moderating. Cream markets are seasonally tight and prices are higher following increased butter prices. Demand from butter makers and cream-based product producers is intense. The CDFA announced a decision following the September 3 hearing. A change to Class 4B milk pricing was announced. Industry analysis indicates the impact of the change would have increased recent producers' milk prices between 6 to 7 cents per cwt. Conditions have dried enough in the Pacific Northwest to allow the completion of the majority of corn silage harvesting. The quantity and quality both look very good. Milk producers believe that the good silage supplies will help them get through the tight hay situation. Some good quality third crop hay is available, but prices are in the \$150/ton range. Most buyers are just happy to find the hay. Plant managers continue to comment that they are surprised at how fast milk receipts declined this fall and how much lower than last year the solids content is. Milk producers are also surprised and disappointed at grain prices increasing during the harvest season. This scenario is unusual. Crop harvesting is completed in the northern Mountain States region. Concerns remain over how fast hay stocks are disappearing. Dairy men and hay growers are working together to take off one last hay harvest. Often this is in the form of green chop or haylage because of the difficulty in getting hay to dry at this time of year. Plant operating schedules are declining seasonally. One plant in the region was down for a number of days to make planned modifications and updates and they had no problem finding a home for the milk.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 10/23/97 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Nonfat dry milk prices are unchanged and the market undertone is unsettled to weak. Buying interest is best characterized as fair. Producers' willingness to remain competitive with western prices and resellers is helping them secure sales to local end users. NDM offerings remain ample for current needs and are available from most sources. Drying schedules are seasonally light and vary from shut down to moderate levels, and often dependent on other needs for the milk. Some producers do not expect to be drying until around Thanksgiving and then not again until the end of the year. Demand for high heat NDM is good and availability is light, allowing producers to gain higher prices. Currently, stocks in the region are light to moderate.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0400 - 1.1000 MOSTLY: 1.0500 - 1.0600

DRY BUTTERMILK - CENTRAL

Prices and the market tone continue to weaken. Buying interest is extremely slow and limited. Offerings are available from several producers in the region. In addition, offers from other regions and reseller are providing competition. The main interest is currently sales on contracts. New orders are limited. Drying schedules remain sporadic. Producers' inventories are ample to excessive for current demand.

BUTTERMILK: .9500 - 1.0150

DRY WHEY - CENTRAL

Dry whey prices are mostly steady at the plant level, but the market tone is highly unsettled. Producers are beginning to back away from premiums and return to normal pricing. Contacts are beginning to see some discounting late in the week. The resale market continued to weaken. Resale loads began to be offered at discounts by midweek. Several resale loads are being offered around the 29 to 30 cent range. There seems to be concern among resellers and several situations of position clearing are occurring. Buying interest has declined dramatically. Most orders are for fill in needs only. Many buyers feel the market has topped and they are looking to keep inventory levels low. Some end users are offering loads back onto the market with the intent of cashing in at current prices and later buying loads when the market adjusts. Plant stocks are light, but indicated to be growing slightly.

NONHYGROSCOPIC: .3025 - .3500 MOSTLY: .3075 - .3200

ANIMAL FEED WHEY - CENTRAL

Milk replacer and delactose prices are unchanged and remain nominal in limited trading. Offerings of off-grade whey remain limited and are not as aggressively being sought out as they were just a few weeks ago. Buying interest has eroded along the same lines as edible whey. Buyers are reluctant to make purchases when they perceive the market as being unsettled. Roller ground prices were adjusted higher. Demand is still fair to good and most product is committed. Standard prices remain too few to report. No trades were reported.

MILK REPLACER: .2875 - .3100
STANDARD: TFEWR
ROLLER GROUND: .3150 - .3375
DELACTOSE (Min. 20% protein): .3350 - .3575

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged and are beginning to settle into a quarterly pricing pattern. The majority of contract sales prices were adjusted lower in the fourth quarter. Quarterly contract prices run the range of 20 to 26 cents and, as usual, dependent on quality, location, and other factors. Spot trades are mainly selling around the mostly range. Lactose is available from most producers in both the Central and Western region. Stocks are ample to long for current and future needs.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1800 - .2600 MOSTLY: .2000 - .2200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices and the market undertone are holding mostly steady. Demand for WPC remains fair to good as a replacement for edible whey in formulations. Production is mixed with some producers seeing output trend slightly higher, while others remain flat. Offerings are available from most producers. Those that have tighter stocks are asking for higher premiums than those who have more inventories. Feed buying interest is slower than from food accounts. Finished feed business is suffering some "sticker shock" from customers. Producers' inventories are adequate to long for current needs.

EXTRA GRADE 34% PROTEIN: .5600 - .6050 MOSTLY: .5850 - .5950

NONFAT DRY MILK - WEST

Low and medium heat nonfat dry milk prices are unchanged. Some producers are attempting higher prices with the idea that current production is mostly committed. However, older stocks are available from local producers and resellers. DEIP orders continue to be filled and contacts are beginning to discuss Mexico restarting orders under DEIP, possibly soon. High heat NDM prices are increasing. As producers run plants to process incoming milk, they do not want to slow down the flow to process high heat powder. Demand for high heat is seasonally good. Drying schedules remain strong in California. Production seasonality is still apparent in other parts of the region. In the Northwest, contacts are noting the effects of lower solids contents of incoming milk. Offerings to the CCC under the price support program have temporarily ceased as DEIP orders are being filled. Stocks are in excess of current needs.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0300 - 1.0650 MOSTLY: 1.0300 - 1.0500
HIGH HEAT: 1.0600 - 1.0825

DRY BUTTERMILK - WEST

Dry buttermilk prices continue to trend lower and the market tone is weak. Buying interest is very light and lower prices are not creating any additional interest. Offerings are increasing and met with limited demand. Regular accounts are taking their loads, but spot interest is at best, spotty. Stocks are light to moderate and continue to outpace current demand.

BUTTERMILK: .9300 - .9850 MOSTLY: .9400 - .9700

DRY WHEY - WEST

Producer offerings remain very limited. Most manufacturing plants are not able to fill all their normal orders at this time, but are shorting most of them so that everyone gets something. Some resale powder is available, but the volumes are not heavy enough to slow the market all that much at this time. Prices are about stable near the top of the range and the bottom increased, showing that the market remains quite tight. Contacts do not feel very comfortable predicting what might happen over the next few weeks to this market. Stock levels are minimal.

NONHYGROSCOPIC: .2550 - .2950 MOSTLY: .2650 - .2800

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended October 17, on powder sales of 10,783,797 pounds f.o.b. California manufacturing plants was \$1.0445 per pound. This compares to 12,112,545 pounds at \$1.0445 for the previous week ending October 10, 1997. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady and the market tone remains weak. Demand is flat and stocks are overabundant. Producers are working off inventories and DEIP orders continue to help clear product. Domestic interest is limited to immediate needs. It has been reported that foreign interest may increase in the upcoming months. Producers are offering larger volumes at discounted rates with occasional spot shipments. Production levels are moderate to lighter.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST:	1.0500 - 1.1400
DELVD SOUTHEAST:	1.0700 - 1.0800

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to slightly lower and the market tone is weak. Production levels are higher as churning activity has increased in light of sharply higher butter prices at the CME. Demand is unaggressive and stocks are readily available.

F.O.B. NORTHEAST:	1.0300 - 1.0725
DELVD SOUTHEAST:	1.0350 - 1.0750

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Contacts report that interest may increase because of the price advantage whole milk powder now seems to offer over using nonfat and cream. Demand is slow, but DEIP orders continue at a stronger pace. Supplies are adequate for needs. Production levels are moderate.

F.O.B. PRODUCING PLANT:	1.2800 - 1.3500
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DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH OCTOBER 17, 1997
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	50,047	MT (110,333,616 LBS)
CHANGE	--	1,504	MT (3,315,718 LBS)
WHOLE MILK POWDER	--	3,324	MT (7,328,090 LBS)
CHEESE	--	794	MT (1,750,452 LBS)
BUTTERFAT	--	11,469	MT (25,284,557 LBS)
CHANGE	--	1,115	MT (2,458,129 LBS)

Allocations for the DEIP year beginning July 1, 1997 are:
Nonfat dry milk - 92,217 MT; Whole Milk Powder - 7,487 MT;
Cheese - 3,510 MT; Butterfat - 34,232 MT

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mixed and remain nominal. The market tone is softening. The extremely high spot sale prices appear to have peaked and product is often more available. Demand has eased as the market peak may have been reached. Availability at the producer level remains very tight. Contacts report that it is more affordable to buy product from the Midwest or West and have it shipped in rather than pay Eastern prices. Buyers and resellers are still searching for Grade A, but Extra Grade stocks seem to be readily available. It has been reported that some resellers are offering product at discounted prices in order to move inventories before the market heads downward. Production levels are lighter.

F.O.B. NORTHEAST:	EXTRA GRADE	.3100 - .3500
	USPH GRADE A	.3400 - .3550
DELVD SOUTHEAST:		.3275 - .3850

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. Prices remain high and demand is centered around contracted volumes. Spot demand is limited. Supplies are tight and production levels are light. Interest may increase when the whey market becomes more settled.

F.O.B. NORTHEAST:	MILK REPLACER	TFEWR
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EVAPORATED MILK - NATIONAL

Prices are unchanged and the market tone is steady. Suppliers are filling contracted accounts at established prices. Contacts report orders and sales are heavy as preparation for the holiday period continues. Many buyers want to secure product as early as possible to avoid the uncertainty associated with last year's market. Production levels are steady to lighter.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES	\$22.50 - 33.00
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Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein prices are unchanged for both acid and rennet. Supplies are fully adequate for current needs with most market activity centering around contractual agreements. Spot buying interest is light. Production in the Oceania region continues to build seasonally, thus buyers that source their needs from this region feel that first quarter 1998 should not cause any supply concerns.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.2000 - 2.2500
ACID:	2.0000 - 2.1000

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	10/09	10/10	10/13	10/14	10/15	10/16	10/17	10/20	10/21	10/22
CSCE CHEDDAR CHEESE -- Cents per pound										
OCT 97	135.50 (4) 0	135.50 (4) 0	135.50 (4) 0	135.50 (4) 0	136.00 (4) 0	136.00 (4) 0	136.00 (4) 0	136.00 (4) 0	136.00 (4) 0	136.00 (4) 0
DEC 97	124.00 (10) 0	124.00 (10) 0	124.00 (10) 0	124.00 (10) 0	125.00 (10) 0	125.30 (10) 0	125.30 (10) 0	127.00 (10) 0	127.00 (10) 0	136.00 (10) 0
CSCE - NONFAT DRY MILK -- Cents per pound										
OCT 97	105.50 (3) 0	105.50 (3) 0	103.50 (3) 0	103.50 (3) 0	103.50 (3) 0	103.50 (3) 0	103.50 (3) 0	104.50 (3) 3	104.50 (0) 0	105.50 (0) 0
FEB 98	103.00 (0) 0	103.00 (0) 0	101.00 (0) 0	101.00 (0) 0	101.00 (0) 0	101.00 (0) 0	101.00 (0) 0	102.00 (0) 0	102.00 (0) 0	103.00 (0) 0
CSCE - BUTTER - Cents per lb.										
OCT 97	131.00 (25) 0	129.50 (25) 0	129.00 (25) 0	129.00 (25) 0	129.00 (25) 0	140.00 (25) 0	129.30 (25) 0	136.50 (25) 0	143.80 (25) 0	143.80 (25) 0
DEC 97	91.50 (42) 0	90.00 (42) 8	89.50 (50) 0	89.50 (50) 0	90.00 (50) 0	101.00 (50) 0	90.30 (54) 4	96.50 (54) 0	87.50 (50) 0	87.50 (50) 0
CSCE - BFP -- Dollars per cwt.										
OCT 97	12.84 (378) 12	12.87 (373) 10	12.84 (373) 0	12.88 (372) 6	12.86 (363) 10	12.86 (364) 5	12.87 (367) 4	12.90 (366) 1	12.87 (342) 25	12.85 (342) 0
NOV 97	12.45 (135) 2	12.48 (137) 11	12.48 (148) 0	12.49 (148) 5	12.49 (151) 6	12.57 (150) 20	12.64 (148) 7	12.67 (149) 12	12.68 (162) 5	12.68 (165) 22
DEC 97	11.96 (127) 2	11.98 (129) 22	11.95 (129) 6	11.96 (129) 0	11.94 (130) 15	12.04 (132) 2	12.18 (132) 6	12.15 (133) 1	12.15 (140) 19	12.13 (147) 11
JAN 98	11.73 (105) 13	11.75 (106) 15	11.75 (106) 0	11.78 (106) 0	11.78 (108) 5	11.84 (108) 5	11.96 (110) 8	11.92 (111) 18	11.91 (119) 3	11.89 (112) 0
FEB 98	11.72 (74) 0	11.73 (74) 0	11.77 (74) 0	11.79 (74) 0	11.78 (72) 2	11.88 (82) 20	11.96 (82) 0	11.95 (82) 1	11.94 (82) 1	11.93 (82) 2
CSCE - FLUID MILK -- Dollars per cwt.										
OCT 97	14.75 (2) 0	14.75 (2) 0	14.80 (2) 0	15.00 (2) 0	15.05 (2) 0	16.03 (2) 0	15.50 (2) 0	15.75 (2) 0	15.75 (2) 0	15.75 (3) 2
DEC 97	12.70 (4) 0	12.70 (4) 0	12.75 (4) 0	12.95 (4) 0	13.00 (4) 0	13.98 (4) 0	13.40 (4) 0	13.20 (4) 0	13.20 (4) 0	13.20 (4) 0
CME - BUTTER -- Cents per pound										
NOV 97	115.50 (50) 28	116.00 (50) 2	113.50 (52) 2	110.50 (52) 1	110.50 (54) 12	113.00 (54) 0	118.00 (54) 0	123.00 (54) 6	128.00 (53) 3	130.00 (53) 0
FEB 98	100.95 (17) 2	100.95 (20) 5	98.45 (20) 0	98.45 (20) 0	100.00 (20) 0	101.00 (21) 3	101.10 (21) 9	101.50 (21) 0	101.75 (21) 0	101.50 (21) 0
CME - BFP -- Dollars per cwt.										
OCT 97	12.86 (150) 9	12.86 (145) 40	12.86 (145) 0	12.86 (145) 0	12.85 (145) 0	12.87 (145) 2	12.87 (143) 3	12.87 (143) 0	12.87 (143) 0	12.87 (194) 0
NOV 97	12.50 (141) 7	12.50 (135) 8	12.49 (135) 0	12.48 (135) 0	12.48 (136) 1	12.58 (136) 0	12.65 (137) 7	12.68 (137) 1	12.71 (137) 1	12.70 (140) 6
DEC 97	11.96 (93) 10	11.96 (93) 2	11.96 (93) 0	11.96 (93) 0	11.96 (101) 8	12.06 (101) 0	12.16 (107) 26	12.16 (111) 8	12.18 (110) 1	12.18 (112) 2
JAN 98	11.70 (140) 9	11.70 (123) 48	11.70 (123) 0	11.73 (123) 0	11.76 (123) 1	11.83 (123) 2	11.86 (127) 7	11.86 (127) 1	11.92 (127) 0	11.89 (129) 3
FEB 98	11.74 (16) 2	11.75 (15) 1	11.75 (16) 1	11.75 (16) 0	11.80 (16) 0	11.84 (15) 2	11.90 (18) 3	11.91 (17) 1	11.92 (17) 0	11.92 (17) 0
CME - CHEDDAR CHEESE -- Cents per pound										
NOV 97	135.25 (18) 2	134.50 (18) 0	134.50 (18) 0	134.50 (18) 0	134.50 (18) 0	134.50 (18) 0	135.75 (18) 0	136.00 (19) 1	137.00 (20) 2	136.75 (22) 2
JAN 98	126.70 (64) 0	126.75 (85) 25	126.90 (85) 0	127.00 (85) 0	127.05 (85) 0	127.50 (86) 1	127.65 (85) 1	127.65 (85) 1	128.00 (85) 0	128.00 (85) 0

1/ Open interest for NDM and cheddar -- 4 contracts equal 40,000 pounds. Open interest for fluid milk (at both exchanges) -- 1 contract equals 50,000 pounds. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 14 - 24, 1997

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production throughout most areas of Europe is generally at seasonal low levels, although some reports indicate that output is recovering slightly. Cool temperatures are more prevalent in most dairy areas of Europe, typical for this time of the year as the winter season approaches. Overall international buying interest of European dairy products is slow and unaggressive. Although butter demand remains strong, limited trading activity is occurring from Europe due to lower than desired inventories and high prices. Traders report that internal trading continues, but international transactions are slow. A firm US dollar is causing traders to be cautious about price developments that are usually lower. The overall bottom line of current markets and limited sales is that European prices are too high for current world market sales.

BUTTER/BUTTEROIL: Butter and butteroil markets remain firm. Prices are higher. Overall buying interest is limited due to the high prices at this time. Stock levels of butter are reported to be tight for the balance of October, but are expected to become more available as the year end nears. Most traders are comfortable with the limited sales activity at this time because of lighter than desired inventories. Often, traders feel that sales activity will become more active after the first of the year when European and World prices might become more in balance with one another. Butteroil markets are much the same as butter, high prices and limited international buyer interest.

82% BUTTERFAT:	2,000 - 2,350
99% BUTTERFAT:	2,600 - 2,700

SKIM MILK POWDER (SMP): Skim powder markets are much the same as they have been over the past few weeks. Stocks are sufficient for the current light, basically internal buyer interest. International buying activity is quiet.

1.25% BUTTERFAT:	1,675 - 1,820
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WHOLE MILK POWDER (WMP): Whole milk powder markets remain firm, following in the footsteps of butter markets. Stocks of whole milk are not overly excessive, as competition for available milk continues between butter/powder and whole milk powder production. Buying interest is also limited as internal sales continue, but international buyer interest is slow.

26% BUTTERFAT:	1,850 - 1,900
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SWEET WHEY POWDER: Whey markets are steady to firm. Prices for the limited supply of whey are higher, depending on quality. European whey supplies range from in balance to scarce. Some traders are having to look elsewhere rather than normal suppliers for whey stocks at this time.

NONHYGROSCOPIC:	530 - 660
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EASTERN EUROPE: Eastern Europe marketing conditions are much the same as Western Europe and other areas of the world. Milk production patterns are seasonally low, although some slight increases are being reported in some countries. At this time, high prices for available product is limiting sales activity, although overall demand is not aggressive.

OCEANIA

OVERVIEW: Milk production patterns throughout most Oceania areas are very positive. In New Zealand, output was reported to be up about 15% in September over the previous year, but now has generally leveled off at around 6 - 7% higher. In Australia, output has not had a substantial jump as in New Zealand, but the overall steady increase has output running about 7 - 8% above a year ago. At this time, weather conditions have been nearly ideal in most regions, but producers and handlers are concerned that a quick turn around might be in the future. Although current weather and moisture conditions are good, subsoil moisture levels in Australia remain low. In New Zealand, milk receipts were reported to be so strong that some manufacturing facilities that have been idle for quite sometime were reactivated. As milk production remains strong, manufacturing schedules are also very active. Stocks of most all manufactured dairy products are in good balance. Current buying interest is not overly aggressive and sales that are occurring are for hand to mouth needs. Oceania traders continue to closely watch the currency crisis in Asia. Overall, most traders are comfortable with current production trends and report output and sales to be on target.

BUTTER: Butter markets remain firm as demand for butter and butterfat, especially from Russia, continues strong. Strong seasonal milk production in the Oceania region, along with active butter demand, is cause for Oceania manufacturers to absorb as much milk as possible into the butter/powder. Stocks of butter are reported to be in good balance for current and anticipated future needs.

82% BUTTERFAT:	1,600 - 1,800
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CHEDDAR CHEESE: Cheese prices remain generally steady. Production is seasonally active. Milk volumes throughout the Oceania region are heavy, thus sufficient volumes of milk are available to generate adequate inventories for current and future needs.

39% MAXIMUM MOISTURE:	2,050 - 2,250
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SKIM MILK POWDER (SMP): Supplies in Oceania are reported to be in good balance as the milk production season continues to build. Prices are steady to slightly higher. The good demand for butterfat has encouraged additional production of skim milk. Shipments of current production are basically on track for sales agreed upon a few months ago. In report #41, the comment and price line was omitted and the price range should have read \$1,700 - 1,750.

1.25% BUTTERFAT:	1,700 - 1,750
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WHOLE MILK POWDER (WMP): Whole milk powder markets are firm as prices hold steady to slightly higher. Stocks of powder are reported to be in good balance for current needs. Shipments of previously contracted powder are clearing the region with virtually no delays. At this time, international buying interest is light, thus producers are holding stocks for future inquiries.

26% BUTTERFAT:	1,725 - 1,775
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Exchange rates for selected foreign currencies: October 20, 1997

.5008 Dutch Guilder	.5642 German Mark
.1684 French Franc	.6421 New Zealand Dollar
.1296 Mexican Peso	.7298 Australian Dollar
1.6334 British Pound	.0082 Japanese Yen
.2940 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1296) = 7.7160$. That is 1 US Dollar equals 7.7160 Mexican Pesos.

Source: "Wall Street Journal"

MONTHLY COLD STORAGE REPORT - TOTAL U.S. STOCKS

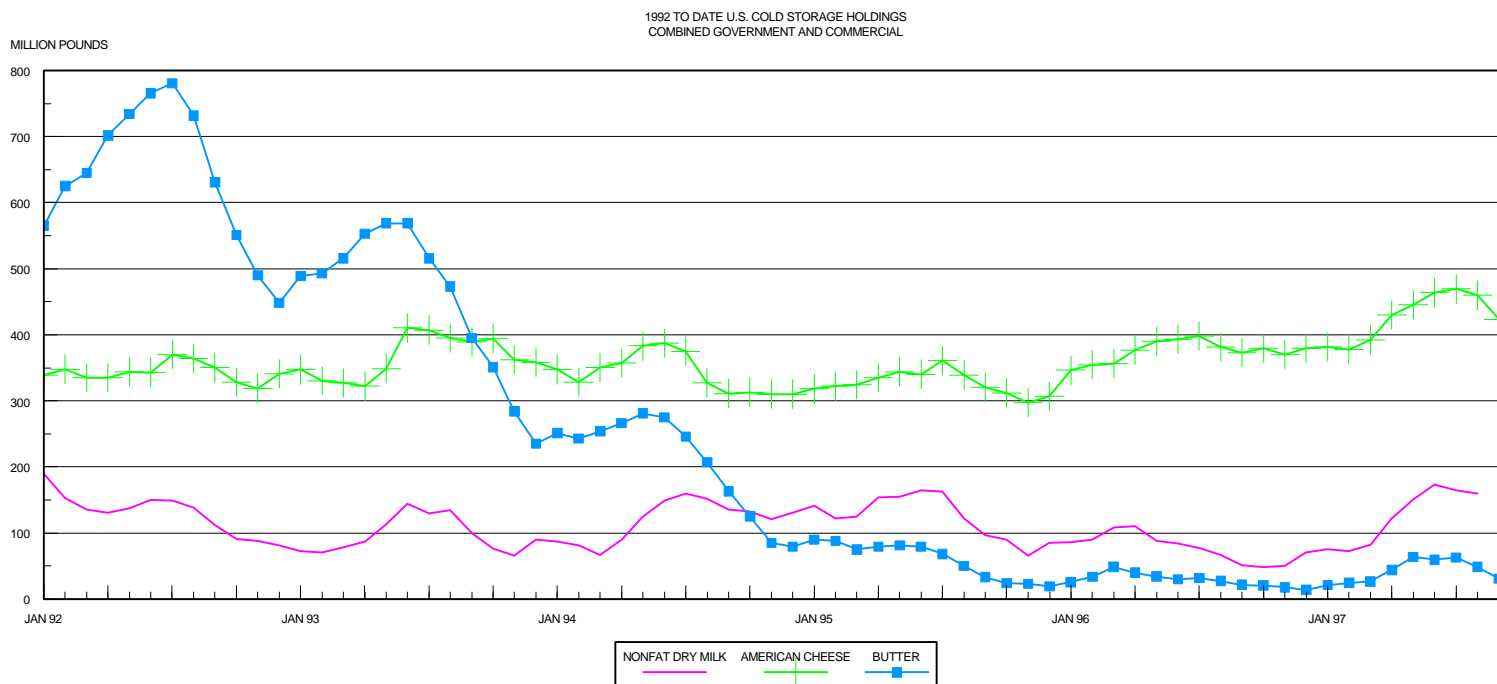
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated.

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	AUG 31, 1995	AUG 31, 1996	REVISED AUG 31, 1997	SEP 30, 1995	SEP 30, 1996	SEP 30, 1997
Cream	1,371	1,356	---	1,542	1,171	---
Butter	50,249	27,299	48,698	32,820	21,431	30,681
Evap. & Cond. Milk	2,118	692	---	2,052	785	---
Cheese, Natural American	339,340	381,241	459,450	320,088	372,555	422,860
Cheese, Swiss	7,250	12,606	11,507	7,215	12,701	11,520
Cheese, Other Natural	111,518	113,095	111,313	101,243	110,545	98,548
GOVERNMENT OWNED COLD STORAGE HOLDINGS FOR THE U.S.						
Butter	15,943	843	563	8,075	546	482
Natural American Cheese	202	225	285	250	190	230

AUGUST COLD STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter			Other Natural Cheese		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
New England	11,801	14,043	22,628	3,012	3,120	6,727	128	90	97
Middle Atlantic	37,936	38,714	39,771	5,844	2,344	3,232	10,399	12,856	14,608
East North Central	176,321	209,578	228,280	3,977	4,252	6,296	81,873	85,039	67,394
West North Central	58,591	57,949	67,036	7,565	5,373	3,699	1,803	2,037	5,143
South Atlantic	264	286	249	698	380	337	1,418	5,160	5,105
East South Central	205	175	259	608	413	141	3,912	3,157	2,552
West South Central	335	231	4,166	5,115	561	445	116	122	177
Mountain	16,599	15,303	16,634	1,126	497	230	763	584	892
Pacific	18,036	36,276	43,837	4,875	4,491	9,574	831	1,400	2,580
TOTAL	320,088	372,555	422,860	32,820	21,431	30,681	101,243	110,545	98,548

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 1996 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	Million Pounds						Million Pounds						Million Pounds					
January	21	25	21	22	<u>3/</u>	3	382	346	381	346	<u>3/</u>	<u>3/</u>	75	86	75	72	<u>3/</u>	14
February	24	34	24	30	<u>3/</u>	4	378	355	378	354	<u>3/</u>	<u>3/</u>	72	90	72	80	<u>3/</u>	10
March	27	49	26	47	<u>3/</u>	1	392	356	392	356	<u>3/</u>	<u>3/</u>	82	108	81	98	<u>3/</u>	10
April	44	40	42	37	2	3	430	377	430	377	<u>3/</u>	<u>3/</u>	122	110	121	100	<u>3/</u>	10
May	64	34	62	33	2	1	445	390	445	390	<u>3/</u>	<u>3/</u>	151	88	151	86	<u>3/</u>	1
June	60	30	59	29	1	1	463	393	463	393	<u>3/</u>	<u>3/</u>	173	84	173	82	<u>3/</u>	1
July	63	32	62	31	1	1	469	398	469	398	<u>3/</u>	<u>3/</u>	164	77	161	77	3	<u>3/</u>
August	49	27	48	26	1	1	459	381	459	381	<u>3/</u>	<u>3/</u>	160	67	155	66	5	<u>3/</u>
September	31	21	30	21	<u>3/</u>	1	423	373	423	372	<u>3/</u>	<u>3/</u>		51		50		<u>3/</u>
October		21		20	<u>3/</u>			379		379		<u>3/</u>		48		47		<u>3/</u>
November		18		17	<u>3/</u>			370		370		<u>3/</u>		50		49		<u>3/</u>
December		14		13	<u>3/</u>			380		380		<u>3/</u>		71		71		<u>3/</u>

NA = Not available. 1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Aug 31, 1995	Aug 31, 1996	Aug 31, 1997	Sep 30, 1995	Sep 30, 1996	Sep 30, 1997
	Thousand Pounds					
Butter	34,306	26,456	48,135	24,745	20,885	30,199
Natural American Cheese	339,138	381,016	459,165	319,838	372,365	422,630

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (10-97) and "Dairy Products," Da 2-6 (10-97), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Agricultural Stabilization and Conservation Service.

FEDERAL MILK ORDER PRICE AND POOL HIGHLIGHTS

FEDERAL MILK ORDER MARKET SUMMARY FOR SEPTEMBER 1997. During September, about 6.9 billion pounds of milk were marketed under Federal orders. (Since significant volumes of milk that normally would have been pooled under Federal milk orders were not pooled in September 1997 and 1996, the following comparisons involving producer deliveries have been estimated.) For comparable markets, producer deliveries were about 0.4 percent less than September 1996, and about 0.5 percent less than August 1997 on a daily average basis. Milk utilized in Class I products in September was 1.5 percent more than last year on an adjusted basis. Class I use this year represented 56 percent of producer milk deliveries compared to 47 percent in September 1996. The average blend price was \$12.93 per cwt., \$3.25 less than last year. Changes in class prices from year-earlier levels were as follows: Class I, down \$3.63; Class II, down \$3.63; Class III, down \$2.58; and Class III-A, down \$3.96.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF SEPTEMBER 1997										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1997 TOTAL	CHANGE FROM 1996	1997 TOTAL	CHANGE FROM 1996	1997	1996	1997	1996	1997
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
New England (Boston)	1	441.1	4.7	220.1	2.5	50	51	13.26	16.68	10.6
New York/New Jersey (NY City)	2	966.8	6.7	415.8	8.3	43	42	13.31	16.53	10.6
Middle Atlantic (Philadelphia-Baltimore/Washington, D.C.)	4	478.0	-3.2	248.6	-10.0	52	56	12.99	16.56	---
NORTHEAST REGION		1,885.9	3.5	884.5	1.1	47	48	13.22	16.57	10.6
Carolina (Charlotte)	5	213.8	4.8	184.5	9.8	86	82	13.59	17.03	10.6
Tennessee Valley (Knoxville/Chattanooga)	11	107.8	-3.5	93.6	3.7	87	81	13.46	16.87	10.6
Southeast (Atlanta/Birmingham)	7	426.0	10.9	357.2	9.2	84	85	13.64	17.01	10.6
Florida Markets (Tampa/Jacksonville/Tallahassee/Miami)	12 <u>4/</u>	196.5	5.9	178.5	6.8	91	90	14.35	18.00	10.6
SOUTHEASTERN REGION		944.1	6.6	813.8	8.1	86	85	13.76	17.20	10.6
Michigan Upper Peninsula (Marquette)	44	4.8	-1.8	4.4	2.2	91	87	12.22	15.75	10.6
Southern Michigan (Detroit)	40*	343.8	-2.7	183.3	6.3	53	49	12.36	15.78	---
E. Ohio/W. PA (Cleveland/Pittsburgh)	36*	249.8	-4.1	146.1	3.4	59	54	12.69	15.94	---
Ohio Valley (Columbus)	33*	208.2	-11.6	141.0	2.4	68	58	12.46	15.93	---
Indiana (Indianapolis)	49*	149.9	3.1	103.6	10.2	69	65	12.32	15.92	---
Chicago Regional	30*	669.1	-8.5	252.5	18.3	38	29	12.34	15.60	---
Central Illinois (Peoria)	50*	14.0	4.1	12.7	12.7	91	84	12.43	16.00	10.6
S. Illinois-E. Missouri (Alton)	32*	128.1	-9.4	87.1	-1.8	68	63	12.38	15.92	10.6
Louisville-Lexington-Evansville	46	88.8	14.3	70.9	16.6	80	78	12.73	16.27	10.6
Upper Midwest (Minneapolis)	68*	258.1	-60.5	142.9	-5.3	55	23	12.21	15.48	---
Iowa (Des Moines)	79* <u>5/</u>	125.8	---	---	---	---	39	12.58	15.76	---
Nebraska/W. Iowa (Omaha/Sioux City)	65*	97.8	-12.8	50.9	2.0	52	45	12.32	15.75	---
Greater Kansas City/E. S. Dakota	64* <u>6/ 7/</u>	40.1	---	---	---	---	65	12.57	16.06	10.6
MIDWEST REGION	<u>8/</u>	2,212.3	-18.9	1,195.4	6.3	54	41	12.39	15.72	10.6

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF SEPTEMBER 1997										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1997 TOTAL	CHANGE FROM 1996	1997 TOTAL	CHANGE FROM 1996	1997	1996	1997	1996	1997
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
Southwest Plains (Oklahoma City)	106*	196.7	-27.0	131.6	5.0	67	47	13.17	16.37	10.6
Texas (Dallas)	126*	397.4	-7.0	275.4	1.1	69	64	13.18	16.65	10.6
SOUTHWEST REGION		594.1	-14.8	407.1	2.3	69	57	13.18	16.54	10.6
E. Colorado/W. Colorado (Denver)	137 <u>6/</u>	132.4	-5.2	70.5	4.4	53	48	13.04	16.25	10.6
SW. Idaho/E. Oregon (Boise)	135*	72.9	-67.6	15.8	7.7	22	7	12.63	15.39	---
Great Basin (Salt Lake City)	139	193.5	-11.1	77.3	8.5	40	33	12.59	15.75	---
Central Arizona (Phoenix)	131*	174.7	0.6	86.3	4.7	49	47	12.91	16.11	10.6
New Mexico-West Texas (Albuquerque)	138*	114.9	-43.1	56.8	0.8	49	28	12.95	15.84	10.6
Pacific Northwest (Seattle/Portland)	124*	455.9	-15.9	187.7	6.3	41	33	12.42	15.75	---
FAR WEST REGION		1,144.3	-23.7	494.3	5.4	43	31	12.66	15.80	10.6
COMP MKT. AVERAGE OR TOTAL	<u>8/</u>	6,780.6*	-11.2*	3,795.0	4.9	56	47	12.93	16.18	10.6
ALL-MKT. AVERAGE OR TOTAL	<u>5/ 7/</u>	6,946.6*	-12.1*	3,795.0	1.5	55	47	12.92	16.17	10.6
YEAR-TO-DATE AVG./TOTAL <u>9/</u>										
Northeast Region		17,935.0	2.3	7,592.7	-0.3	42	43			
Southeastern Region		9,474.2	7.4	7,352.3	0.9	78	83			
Midwest Region	<u>8/</u>	29,248.1*	7.0*	10,198.7	1.1	35	37			
Southwest Region		7,191.3*	-7.4*	3,565.8	0.9	50	46			
Far West Region		13,295.5*	1.8*	4,228.3	-0.2	32	32			
COMP MARKET AVERAGE OF TOTAL	<u>8/</u>	77,144.1*	3.5*	32,937.8	0.6	43	44	12.80	14.56	----
ALL MARKET AVERAGE OR TOTAL	<u>5/ 7/</u>	79,504.1*	3.4*	33,438.6	-1.1	42	44	12.79	14.55	----

* Because of certain pricing situations in these markets, handlers elected not to pool an estimated 1.8 billion and 920 million pounds of milk in September 1997 and 1996, respectively, that normally would have been pooled under these orders. The total estimated amounts not pooled for this reason through the month of September are: for 1997, 6.4 billion pounds; and for 1996, 7.8 billion pounds. If these volumes had been pooled, the following percent changes in producer deliveries would have resulted: for September, Midwest region +1.3, Southwest region 0, Far West region -13.4, comparable market average -0.4, and all-market average -0.7. Year to Date, Midwest region +1.0, Southwest region -6.1, Far West region +1.8, comparable market average +1.4, and all-market average +1.4. 1/ Names in parentheses are principal cities and pricing points of markets. 2/ Prices are for 100 pounds of milk with a butterfat content of 3.5%. 3/ Amount by which the blend price is adjusted for each .1% that the butterfat content of a producer's milk varies from 3.5%. For example, if the butterfat content of the milk that a producer delivers to a regulated handler located in Boston (New England's market) is 4.0%, then the producer's blend price would be \$13.79. (4.0 minus 3.5 equals .5; 5 times \$.106 equals \$.530; \$13.26 plus \$.530 equals \$13.790.) 4/ Pool data are either a summation or weighted average of the Tampa Bay, Upper Florida, and Southeastern Florida marketing areas. The blend prices are for the Tampa Bay market. Blend prices for other markets are: Upper Florida: 1997, \$14.35; 1996, \$17.81; and Southeastern Florida: 1997, \$14.89; and 1996, \$18.36. 5/ Class I receipt and utilization data for the Iowa marketing area are restricted, and are excluded from all-market figures, effective August 1997. 6/ Figures represent a combination of data for the indicated markets except for the producer blend prices which are for the first market listed. Blend prices for other markets are: Eastern South Dakota: 1997, \$12.44 effective August 1997; 1996, \$15.73; and Western Colorado: 1997, \$12.73; 1996, \$16.31. 7/ The data for 1996 also includes the Black Hills marketing area. Effective October 1, 1996, the order regulating this marketing area was terminated. Class I receipt and utilization data for the Greater Kansas City/Eastern South Dakota area are restricted, and are excluded from all-market figures, effective October 1996. 8/ Figures are based on the same group of comparable markets--markets where orders were in effect the entire period 1996-97 and for which the data were not affected significantly by marketing area changes. Data for Iowa and Greater Kansas City/Eastern South Dakota are no longer comparable; see 5/ and 7/. 9/ Percentage changes have been adjusted for the different number of days in the two periods

BUTTER PRICES INCREASE SHARPLY

Sharp increases in butter prices during September and early October isolated cheese markets from the very heavy stocks of nonfat dry milk and increased the chances of additional rises in cheese prices. Until then, any increases from the cheese prices reached in mid-August would have unleashed heavy use of powder and local cream to produce cheese. However, current cream prices boost the cost of such a mixture to more than \$1 per cwt above the Basic Formula Price. In addition, cheese production no longer has an advantage competing for Western milk supplies. Cheese output may not be enough to meet expected sales and small price rises could result.

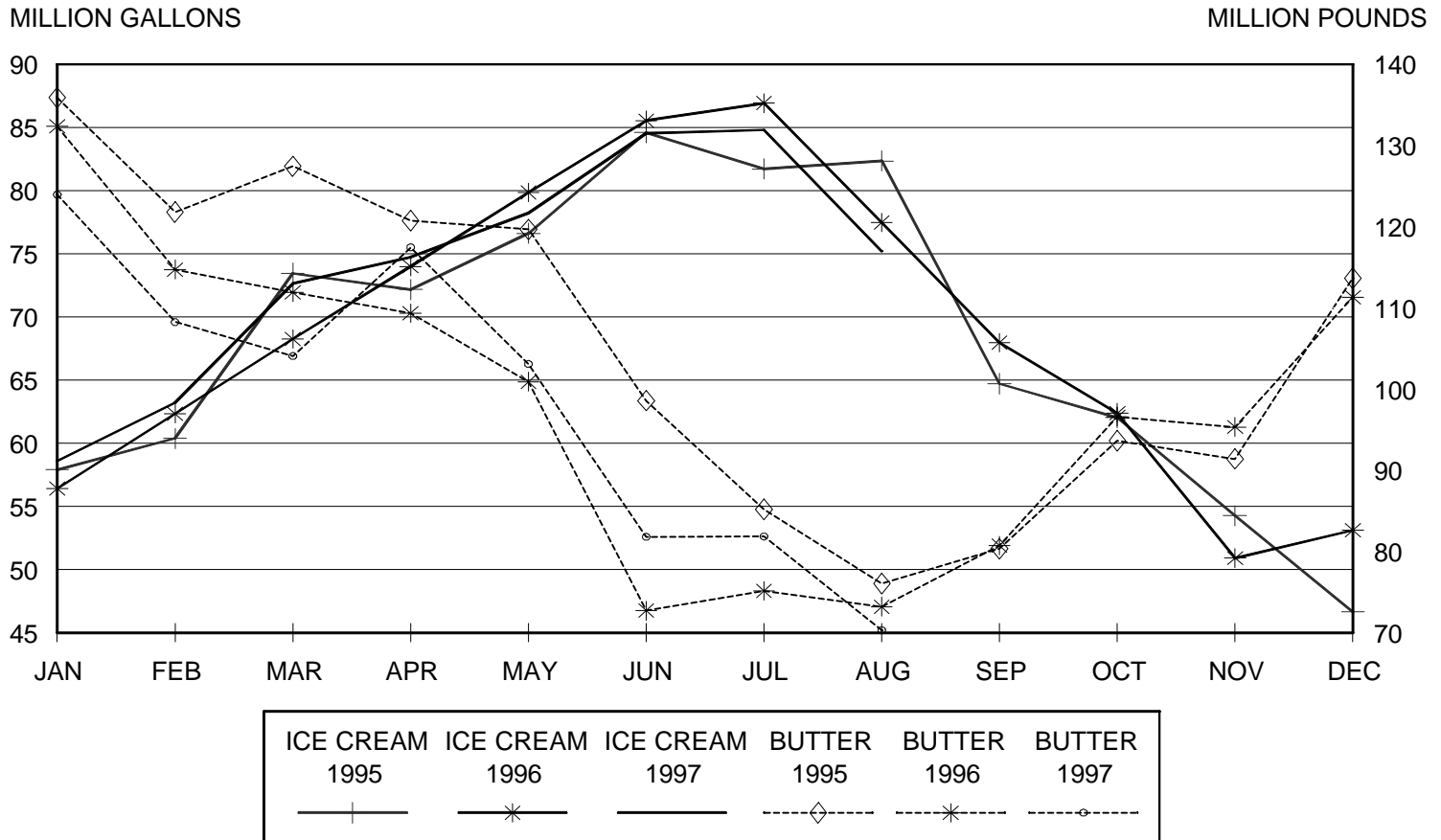
Late-August declines in butter prices may have given butter buyers a false sense of security that resulted in very tight pipeline holdings. Prices quickly reversed when buyers began to arrange supplies for late 1997. Although milk production was above a year earlier in recent months, rises in milkfat output were considerably smaller because of this year's more normal fat content. Meanwhile, sales of butter and other milkfat products have been fairly brisk. Lastly, sales of butter and milkfat under the Dairy Export Incentive Program (DEIP) have been sizable since the first of September. Although these DEIP sales require only modest amounts for delivery before most of the domestic seasonal needs would normally have been met, DEIP exports are further tightening domestic butter markets. Butter prices are expected to stay fairly strong until late 1997.

QUARTERLY AND ANNUAL FORECASTS

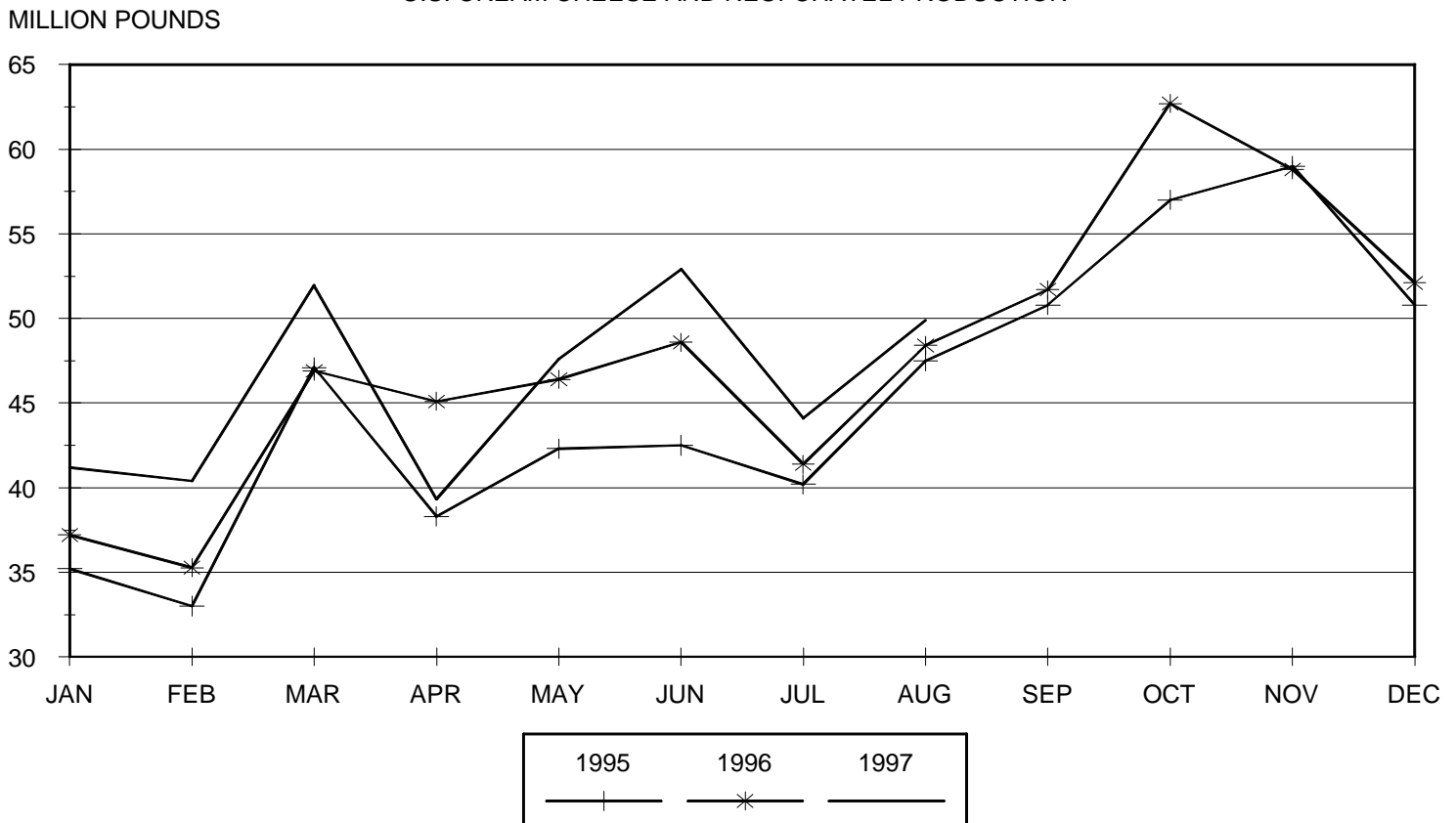
Item	1997 IV	1998 I	1998 II	ANNUAL	
				1997	1998
<u>Million pounds</u>					
Supply/Demand (mf basis)					
Milk Production	38,200	39,200	40,800	156,759	157,100
Commercial use	39,400	38,800	39,900	156,681	158,100
Net removals	400	300	400	1,165	1,200
<u>Dollars per cwt.</u>					
Market Prices					
Milk, all at plant	13.60-14.60	13.20-13.70	12.10-12.90	12.90-13.70	12.70-13.60
Milk, Basic Formula Price	12.40-13.40	11.70-12.20	11.00-11.70	11.60-12.40	11.70-12.50

Source: "Livestock, Dairy, and Poultry Monthly", LDP-M-46, October 17, 1997, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 219-0834 or <JJMILLER@econ.ag.gov>.

U.S. BUTTER AND HARD ICE CREAM PRODUCTION



U.S. CREAM CHEESE AND NEUFCHATEL PRODUCTION



CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF OCTOBER 20 - 24, 1997				CUMULATIVE TOTALS				UNCOMMITTED INVENTORIES			
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD					
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/97	LAST YEAR	10/17/97	LAST YEAR					
BUTTER												
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE												
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK												
Nonfortified	-0-	595,233	-595,233	408,912	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	595,233	-595,233	408,912	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF OCTOBER 20 - 24, 1997 =	-0.1	-6.9	COMPARABLE WEEK IN 1996 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 1997 =	0.1	4.8	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JANUARY 1 - OCTOBER 24, 1997 =	24.7	395.2	COMPARABLE CALENDAR YEAR 1996 =	0.0	0.0

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

	CCC ADJUSTED PURCHASES SINCE 10/1/97 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL							
	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT	
REGION	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0
WEST	-0-	-0-	-0-	-0-	408,912	-0-	100.0	0.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0
TOTAL	-0-	-0-	-0-	-0-	408,912	-0-	100.0	0.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1997

MANUFACTURING MILK: Average Test 3.67% - \$10.20 per cwt.; 3.5% - \$10.10

DOLLARS PER POUND

BUTTER: Bulk \$.6500; 1# Prints \$.6800

CHEESE: 40 & 60# Blocks \$1.1300; 500# Barrels \$1.1000; Process American 5# \$1.1825; Process American 2# \$1.2225

NONFAT DRY MILK: Nonfortified \$1.0470; Fortified \$1.0570; Instant \$1.2045

Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 10/04/97 & Comparable Week 1996 (1/ 2/)

Regions*	1	2	3**	4**	5	6	7	8	9	10	U.S. TOTAL	% DAIRY OF ALL
											WEEK :SINCE JAN 1:	WEEK :SINCE JAN 1
1997-Dairy cows HD (000)	0.4	1.8	---	12.3	20.5	3.1	3.1	1.1	9.3	2.7	54.4	2,193.9
1996-Dairy cows HD (000)	0.4	1.3	---	14.4	23.8	2.9	3.5	1.2	8.5	2.4	58.5	2,263.4
1997-All cows HD (000)	0.4	1.8	---	26.7	28.5	19.2	18.4	8.1	12.0	7.4	122.3	4,775.2
1996-All cows HD (000)	0.4	1.3	---	30.9	32.2	23.4	22.3	11.4	12.1	7.8	141.9	5,216.7

REGION 3 & 4 COMBINED

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE INVITATIONS (POUNDS) 10/10/97 & 10/16/97CHEESE DECEMBER DELIVERY

PROCESS OFFERS ARE DUE OCT. 21. PUBLIC RELEASE OF AWARDS WILL BE OCT. 24 AT 4:00 P.M.(CST).

2# LOAVES	871,200
5# LOAVES	1,425,600
SLICED	1,900,800
SHREDDED	230,400
MOZZARELLA	
MOZZARELLA	564,480
LITE	241,920
LITE, SHREDDED	443,520
NATURAL AMERICAN	
BLOCKS	79,900
CUTS	39,950
SHREDDED	38,400
REDUCED FAT - BLOCKS	39,950
REDUCED FAT - SHREDDED	153,600

NONFAT DRY MILK	
INSTANT 12/25.6 OZ.	188,160
INSTANT 6/4 POUND	1,088,640

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/97 = 7,280,542

CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/97 = 85,979

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79			